EXHIBIT NN

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FOR PUBLIC INSPECTION

EXHIBIT NN

EchoStar 110 Corp. and MCI Telecommunications Corp., Application for Consent to Assignment of Authorizations and Request for Expedited Consideration, *In re Application of MCI Telecommunications Corp. and EchoStar 110 Corp.* (December 2, 1998).

FCC000000645

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Application of	)	
MCI TELECOMMUNICATIONS CORPORATION, Assignor	)	
	)	File Nos. 73-SAT-P L-96
and	)	
ECHOSTAR 110 CORPORATION Assignee	)	
For Consent to Assignment of Authorization to Construct, Launch, and Operate a Direct Broadcast Satellite System Using 28 Frequency Channels at the 110° W.L. Orbital Location	)	RECEIVED DEC - 2 1998 FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

To: The Commission

EXPEDITED ACTION REQUESTED

APPLICATION FOR CONSENT TO ASSIGNMENT OF AUTHORIZATIONS AND REQUEST FOR EXPEDITED CONSIDERATION

December 2, 1998

FCC000000646

factors. MCI and News Corp./ASkyB have concluded that it is simply not economically sustainable to deploy, at this point in time, a system from 110° W.L. that would operate on a stand-alone basis. Rather, the 110° W.L. orbital location can effectively be used in conjunction with an existing system operating from another full-CONUS location. It is time that the 110° W.L. slot be put to use in accordance with its potential for introducing more robust competition in the MVPD market. Thus, the Commission's policies in favor of full and productive use of valuable spectrum resources militate in favor of action with all dispatch.[12] The Applicants respectfully request Commission action on the application by the end of February 1999.

A. The MVPD Market is Still Dominated by Cable Operators

1. The MVPD Market is the Appropriate Market for Analysis

At the outset, EchoStar emphasizes that the MVPD market – not any subset of that market – is the relevant market for analyzing the public interest impact of the proposed transaction. When performing such an analysis, the Commission determines the relevant product markets using a methodology similar to that described in the *1992 Merger Guidelines*, defining "a product market as a service or group of services for which there are no close demand substitutes."[13] Specifically, "the Commission must consider whether, if, in the absence of a

[12] *See, e.g., Policies and Rules for the Direct Broadcast Satellite Service*, Notice of Proposed Rulemaking, 13 FCC Rcd. 6907, 6942 (Int'l Bur. 1998) ("[W]e seek to promote efficient and expeditious use of spectrum and orbital resources and to create a competitive MVPD marketplace for the benefit of the subscribing community on a national and international basis.").

[13] *Applications of NYNEX Corp. and Bell Atlantic Corp. for Consent to Transfer control of NYNEX Corp. and its Subsidiaries*, 12 FCC Rcd. 19985, 20014 (1997) ("*NYNEX/Bell Atlantic*").

regulation. all carriers raised the price of a particular service or group of services. customers would be able to switch to a substitute service offered at a lower price."[14]

The Commission has consistently defined the relevant market as the MVPD market:

> For purposes of analysis. competition in the delivery of video programming involves local markets in which consumers can choose among particular multichannel or other video programming distribution services. The products that are sold in these markets consist of bundles of attributes – antenna service. basic or optional tiers or packages of video programming channels. premium per-channel charge services. pay-per-view channels and others.[15]

The Department of Justice has independently corroborated the Commission's findings. stating in its recent antitrust suit against Primestar that "the relevant product market affected by [MCI's attempted assignment of its license at 110° W.L.] is the delivery of multiple channels of video programming directly to the home."[16]

In the context of its broad public interest analysis. the Commission must therefore review the effects of this transaction on competition between and among cable operators. DBS operators. and other MVPD services. with particular emphasis on competition between DBS and cable. EchoStar's existing DBS service corroborates that DBS operators can and do compete in the same market as cable operators – albeit from a handicapped position. EchoStar prices its

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14 *Id.* at 20015.

15 *1997 Competition Report*, 13 FCC Rcd. at 1039.

16 Primestar Complaint at ¶ 59.

service to beat comparable cable packages and tries to make its offerings as close a substitute for a cable subscription as possible.

Indeed, consideration of any market other than the MVPD market would undercut the Commission's efforts to promote competition between cable operators and other distributors. The 1992 Cable Competition Act leaves no doubt as to the market in which the Commission ought to promote effective competition. The Act itself states in its preamble that, "without the presence of another *multichannel video programming distributor*, a cable system faces no local competition,"[17] and contains provisions designed "to promote the public interest, convenience, and necessity by increasing competition and diversity in the *multichannel video programming market*. . . ."[18] In other words, the 1992 Cable Competition Act was meant to enable other participants *in the MVPD market* to compete more effectively with cable.

2. Despite the Best Efforts of DBS Operators, the Cable Industry Still Dominates the MVPD Market

Despite the significant progress of DBS and direct-to-home satellite services over the last few years, satellite-delivered MVPD services remain dwarfed in comparison to cable

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[17] *Cable Television Consumer Protection and Competition Act of 1992*, Pub. Law 102-385, 106 Stat. 1460 (1992) (emphasis added); *see also* S. Rep. No. 102-92, at 1 (1992) ("The purpose of [the Cable Competition Act was] to promote competition in the *multichannel video marketplace* and to provide protection for consumers against monopoly rates and poor customer service.") (emphasis added); *id.* at 3 ("[The Senate] held three hearings in June 1989 on the general issue of competition in the *video programming industry*); *id.* at 11 ("The question is when are the alternatives sufficient to eliminate cable's market power. In other words, when does a cable system face effective competition?") (emphasis added); *id.* at 16 ("[I]t is far from clear that satellite service can provide the necessary competition to cable.").

[18] 47 U.S.C. § 548(a).

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operators, which serve 87% of all U.S. MVPD households – 64.2 million subscribers – as opposed to a mere 9.8% household share for all DBS/DTH services combined – just 7.2 million subscribers.[19] After surveying the MVPD market in its *1997 Competition Report*, the Commission concluded that cable operators continue to enjoy the position of a dominant monopoly bottleneck:

> Incumbent franchised cable systems remain the primary distributors of multichannel video programming.... Local markets for the delivery of video programming generally remain highly concentrated and continue to be characterized by some barriers to entry and expansion by potential competitors to incumbent cable systems.[20]

Indeed, instead of being curbed, cable dominance may be on the verge of being even further reinforced. Cable operators throughout the country are adding digital upgrades, allowing them to provide additional tiers with new and specialized services, including high-bandwidth applications such as HDTV.[21] In addition, TCI, the largest MSO in the nation, has recently requested Commission approval of its acquisition by AT&T.[22] TCI and AT&T claim that their transaction would create "the first fully-integrated residential communications services

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[19] *1997 Competition Report*, 13 FCC Rcd. at 1040.

[20] *1997 Competition Report* at 1043.

[21] *See, e.g.*, L. Moss & K. Gibbons, *Fast Out of the Gate: Early MSO Reports on Digital Are Promising*, Multichannel News, Nov. 16, 1998; *see also 1997 Competition Report*, 13 FCC Rcd. at 1072 ("However, DBS's advantages may be minimized once cable systems install digital technology and can offer comparable programming features.").

[22] *See* AT&T and Telecommunications, Inc., Applications for Proposed Transfers of Control (filed Sept. 14, 1998) ("AT&T-TCI Applications").

Because "the evidence of [then] *current* market performance indicated that DBS and cable [were then] differentiated products." the Commission found that "competition among DBS operators is likely to be enhanced by the entry of additional DBS operators that are not connected with current providers. and this price competition will translate into price competition with cable operators."[43]

This environment has dramatically changed. largely due to EchoStar's efforts. Since the Commission released its *DBS Auction Rules*. EchoStar has launched its DBS service and embarked on an aggressive strategy of competing against cable on price. and has thus departed from the DBS model prevailing in 1995. This change has obviated any need for the Commission to "push" DBS operators in the direction of positioning themselves as substitutes for cable – EchoStar has so positioned itself voluntarily.

Second, it is now possible for DBS to compete head-to-head with cable by providing all of the services seamlessly offered by the cable industry beamed from two combined full-CONUS orbital local locations through a single dish. Specifically, when the Commission imposed the one-time one-slot rule. it believed that two-slot DBS service was not feasible:

> It also appears that DBS systems may be currently unable as a technical matter to combine signals from more than one orbital location in a single service offering. The receiving equipment currently being used by DirecTV/USSB. and the equipment to be used by EchoStar/Directsat when it initiates service. cannot be used to receive signals simultaneously from more than one orbital location . . . . Therefore. transmitting signals simultaneously from multiple orbital locations would likely require subscribers to use additional equipment to avoid interference problems.[44]

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43 *Id.* (emphasis in original).

44 *Id.* at 9738.

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EXHIBIT OO

Federal Communications Commission, Memorandum Opinion and Order, *EchoStar Communications Corp. v. Fox/Liberty Networks, LLC,* FCC File No. CSR-5165-P, 13 FCC Rcd. 7394 (rel. April 17, 1998), available on Westlaw (1998 WL 177559) and Lexis (1998 FCC LEXIS 1844).

Found Document Rank(R) 1 of 1 Database FCOM-FCC

1998 WL 177559 (F.C.C.), 13 F.C.C.R. 7394, 13 FCC Rcd. 7394,
12 Communications Reg. (P&F) 92

Federal Communications Commission (F.C.C.)

Memorandum Opinion and Order

IN THE MATTER OF: ECHOSTAR COMMUNICATIONS CORPORATION
v.

FOX/LIBERTY NETWORKS, LLC

FX NETWORKS, LLC
CSR-5165-P

Program Access Complaint

DA 98-730
Adopted: April 15, 1998
Released: April 17, 1998

By the Acting Chief, Cable Services Bureau:

I. INTRODUCTION

1. EchoStar Communications Corporation ("EchoStar"), a provider of direct broadcast satellite ("DBS") services, filed the above-captioned program access complaint against FX Networks, LLC ("FX") and Fox/Liberty Networks, LLC ("Fox/Liberty"), alleging that FX has refused to provide its programming to EchoStar because of prohibited exclusive contracts that it has with cable operators across the country. EchoStar alleges that FX's refusal to deal with EchoStar regarding such programming violates the Commission's prohibition on exclusive contracts pursuant to Section 628(c)(2)(D) of the Communications Act of 1934, as amended ("Communications Act"), and Section 76.1002(c)(2) of the Commission's rules. [FN1] EchoStar also alleges that FX's action in this matter constitutes an unreasonable refusal to sell in violation of Section 628(c) of the Communications Act and Section 76.1002(b) of the Commission's rules [FN2] and an unfair practice in violation of Section 628(b) of the Act and Section 76.1001 of the Commission's rules. [FN3]

2. Based upon the record before us and pursuant to the Communications Act and the Commission's rules, we find that FX's actions violate Section 628(c)(2)(D) of the Communications Act's prohibition on exclusive contracts and constitute an unreasonable refusal to sell to EchoStar pursuant to Section 628(c). In light of this finding, we need not address Echostar's allegations relating to Section 628(b) of the Act.

II. BACKGROUND

3. Section 628 of the Communications Act prohibits certain unfair or discriminatory practices in the sale of satellite cable and satellite broadcast programming. [FN4] In enacting Section 628 of the Communications Act, Congress'

6. EchoStar, a provider of DBS programming services, operates two DBS satellites that allow it to provide approximately 120 channels of digital television programming to subscribers throughout the continental United States. [FN13] EchoStar states that it competes against cable operators in every cable franchise area and is therefore a "multichannel video programming distributor" as defined by Section 76.1000(e) of the Commission's rules. [FN14]

7. FX is a wholly-owned subsidiary of Fox/Liberty; Fox/Liberty is a joint venture between Fox, Inc. ("Fox"), a subsidiary of The News Corporation, Ltd. ("News Corp."), and Liberty Media Corporation ("Liberty Media"), a wholly-owned subsidiary of Tele-Communications, Inc. ("TCI"). [FN15] Thus, through its wholly-owned subsidiary, Liberty Media, TCI, a cable system operator, [FN16] has a 50% ownership interest in FX. The programming controlled by FX is "satellite cable programming," as defined by our rules, because it is transmitted by satellite and is primarily intended for direct receipt by cable operators for retransmission to cable subscribers. [FN17] Accordingly, FX is a satellite cable programming vendor [FN18] in which a cable operator has an attributable interest, and is a vertically integrated programming vendor. [FN19]

IV. POSITIONS OF THE PARTIES

8. EchoStar alleges that it has been unable to obtain access to FX's programming, based on prohibited exclusive contracts that FX has entered into with various cable operators. [FN20] EchoStar notes, however, that TCI has informed EchoStar that it will not seek to enforce its contracts to prevent EchoStar from obtaining FX's programming [FN21] and that, accordingly, EchoStar has not named TCI as a defendant to this Complaint. [FN22] EchoStar further states that after TCI notified EchoStar that it would not seek to enforce its exclusive contract, FX informed Echostar that it was prepared to negotiate only with respect to TCI franchise areas and non-cabled areas. [FN23] EchoStar then requested that FX identify all cable operators with whom FX has exclusive affiliation agreements. [FN24] Echostar contends that FX refused to provide such a list stating that the terms of its affiliation agreements are confidential. [FN25] According to EchoStar, FX's unwillingness to provide this information demonstrates that FX provides programming under prohibited exclusive arrangements with cable operators other than TCI. [FN26] EchoStar also asserts that FX has not attempted to make the necessary public interest showing required through the filing of a petition for exclusivity in order to justify the continued enforcement of its exclusive contracts. [FN27]

9. In addition to alleging that FX is attempting to enforce prohibited exclusive contracts, EchoStar also alleges that FX's refusal to negotiate carriage of its programming with EchoStar constitutes an unreasonable refusal to sell in violation of Section 628(c). [FN28] Finally, EchoStar asserts that FX's unwillingness to negotiate with EchoStar to carry FX's programming, while offering such programming to certain cable operators, constitutes an unfair practice in violation of Section 628(b) of the Communications Act and Section 76.1001 of the Commission's rules. [FN29] EchoStar also requests that the Commission award it damages in this matter. [FN30]

10. In response, FX argues that its exclusive contracts were lawful when entered into because FX was not a vertically integrated programmer at the time. [FN31] According to FX, its subsequent vertical integration does not negate the validity of these agreements. [FN32] FX asserts that retroactive enforcement of the Commission's rules would expose programming entities that granted legal

Exhibit OO

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programming vendor or a vertically integrated satellite cable programming vendor that meets the attribution standards outlined in the Commission's rules; and (ii) the defendant, as between the complainant and another MVPD competitor, has engaged in some form of non-price discrimination, such as an unreasonable refusal to sell its programming to the complainant. [FN62] To avoid a decision in favor of the complainant where the defendant has refused to sell its programming to the complainant, the defendant must establish that its refusal to sell its programming to the complainant is not unlawfully discriminatory because it is justified by legitimate business reasons. [FN63]

20. The first element requires that the defendant must be a satellite broadcast programming vendor or a satellite cable programming vendor that meets the Commission's attribution standards, FX does not dispute and we find that FX is a satellite cable programming vendor in which a cable operator has an attributable interest. The Commission's attribution standard set forth at Section 76.1000(b) and the notes to Section 76.501 of the Commission's rules, state that a cable operator will be considered to have an attributable interest in a programming vendor if the cable operator holds five percent or more of the stock of the programmer, whether voting or non-voting, or if the operator holds limited partnership equity interest of five percent or more. [FN64] Defendants acknowledge that through its wholly-owned subsidiary, Liberty Media Corporation, TCI has a 50% ownership interest in FX and that FX is a "satellite cable programming vendor" in which a cable operator has an "attributable interest." [FN65]

21. With respect to the element of discrimination between competing MVPDs, the Commission has stated that in order to establish that another distributor is a competitor for purposes of showing discrimination under Section 76.1002(b), there must be "some overlap in actual or proposed service area." [FN66] FX has stated that, prior to the formation of a joint venture with News Corporation and TCI, FX entered into distribution agreements with nearly all of the major cable operators in the country. [FN67] Echostar offers its service on a nationwide basis. We therefore find that Echostar competes with cable operators in every franchise area in the continental United States. In addition, the complainant must show that the defendant discriminates between the complainant and its competitor in the sale of the programming in question. [FN68] FX, by virtue of its exclusive agreements with cable operators, and its refusal to sell to Echostar, discriminates between the complainant and its competitors.

22. As to the requirement that a complainant show the existence of non-price discrimination by defendant, the Commission has recognized that an "unreasonable refusal to sell" may constitute non-price discrimination under Section 628(c). [FN69] The Commission, however, has cautioned that unreasonable refusals to sell must be distinguished from refusal to sell based on legitimate reasons. [FN70] Other than asserting an exclusive contract, FX offers no evidence that its refusal to sell is based on legitimate business reasons.

23. We find that FX unreasonably has refused to sell its programming to Echostar. We do not agree with FX that its once valid exclusive contracts justify its refusal to sell to Echostar. FX offers no additional support which might constitute a legitimate business reason for its refusal to sell its programming to Echostar. We find that FX's refusal to sell is a violation of Section 628(c) of the Communications Act and Section 76.1002(b) of the Commission's rules.

24. In light of our finding in this matter regarding FX's violations of Sections 628(c), we find it unnecessary to address EchoStar's unfair method of

EXHIBIT PP

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EXHIBIT PP

Reply of EchoStar Communications Corporation, *In re Application of MCI Telecommunications Corp. and PRIMESTAR LHC, Inc.*, FCC File No. 106-SAT-AL-97 (October 20, 1997).

Barker

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Application of MCI Telecommunications Corporation and PRIMESTAR LHC, INC. For Consent to Assignment of Direct Broadcast Satellite Authorizations	)	File No. 106-SAT-AL-97

<u>REPLY OF ECHOSTAR COMMUNICATIONS CORPORATION</u>

David K. Moskowitz
Senior Vice President and General Counsel
EchoStar Communications Corporation
90 Inverness Circle East
Englewood, CO 80112

Philip L. Malet
Pantelis Michalopoulos
Tekedra V. McGee
STEPTOE & JOHNSON LLP
1330 Connecticut Avenue, N.W.
Washington, D.C. 20036
202/429-3000

Its Attorneys

Dated: October 20, 1997

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> PRIMESTAR's record of aggressive competition is powerful evidence that the parade of imaginary horribles now being advanced by its competitive and philosophical opponents [are] entitled to no weight.

Id. at 4. Undeniably, however, PRIMESTAR's past record does not contain any proof that PRIMESTAR has competed against cable systems (as opposed to other satellite distributors).

In the same pleading, PRIMESTAR described what it considered "[t]he question of true policy significance before the Commission":

> Will PRIMESTAR be allowed to continue to compete in the DBS business of making itself more efficient and gaining access to more effective tools? This is not about the cable industry taking over the DBS business; it is simply an effort to make an existing business an even more effective competitor.

Id. at 11.

Caught at its effort to transpose the real competitive question (competition against cable operators) into a question of competition in "the DBS business,"[10] PRIMESTAR now tries to walk away somewhat from that effort. Even as it denies the accuracy of EchoStar's description, however, PRIMESTAR's statements with respect to competition against cable systems are carefully qualified. Instead of assuring the Commission that it will compete, PRIMESTAR only states: "there is no basis for predicting that PRIMESTAR will not compete against all MVPDs, including its cable MSO owners" (Opposition at 16); PRIMESTAR "cannot compete with DBS providers on a nationwide basis without also competing with all cable systems"; "even if PRIMESTAR were to try to compete only with rival DBS services, it would

[10] While the phrase "DBS business" hints at an attempted gerrymandering of the relevant product market, PRIMESTAR has not denied, and cannot deny, that the MVPD market is the relevant market for analysis.

EXHIBIT QQ

EXHIBIT QQ

Comments of EchoStar Satellite Corporation, *In re Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming,* FCC CS Docket No. 00-132 (September 8, 2000), available on the FCC web site <https://haifoss.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6511658008>.

STEPTOE & JOHNSON LLP

ATTORNEYS AT LAW

DOCKET FILE COPY ORIGI

1330 Connecticut Avenue, NW
Washington, DC 20036-1795

Telephone 202.429.3000
Facsimile 202.429.3902
www.steptoe.com

Rhonda M. Rivens
202.429.6495
rrivens@steptoe.com

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SEP 8 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 8, 2000

Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
The Portals – TW-A325
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: **In the Matter of Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming, CS Docket No. 00-132**

Dear Ms. Salas:

On behalf of EchoStar Satellite Corporation ("EchoStar"), enclosed please find for filing an original and nine (9) copies of EchoStar's Comments in the above-referenced matter.

Also enclosed is an additional copy of EchoStar's Comments, which we ask you to date-stamp and return with our messenger.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Rhonda M.

Rhonda M. Rivens
Counsel for EchoStar Satellite Corporation

Enclosures

No. of Copies rec'd 0+9
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WASHINGTON PHOENIX LOS ANGELES

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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SEP 8 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming

CS Docket No. 00-132

COMMENTS OF ECHOSTAR SATELLITE CORPORATION

EchoStar Satellite Corporation ("EchoStar") hereby submits its Comments in response to the above-captioned Notice of Inquiry released by the Commission on August 1, 2000.[1] The Notice requests comments on the status of competition in the markets for delivery of video programming. EchoStar is a multichannel video programming distributor ("MVPD") providing Direct Broadcast Satellite ("DBS") service to subscribers throughout the United States. It currently operates 5 DBS satellites, with a sixth already launched and soon to commence commercial operations. EchoStar also plans to launch additional satellites. As of June 2000, EchoStar's DISH Network programming served more than 4.3 million households.

Effective competition has yet to arrive in the MVPD markets. Even though the increases in DBS subscribers have confirmed that DBS services are perhaps the only truly viable alternative to cable at this time, cable operators still dominate most MVPD markets. To EchoStar's knowledge, the increases in DBS subscriber counts over the past year have not been accompanied by corresponding decreases in the number of cable subscribers or by substantial erosion of cable market shares. In particular, cable operators preserve their stranglehold in urban areas. And while the Commission has made a number of

[1] *In the Matter of Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming*, CS Docket No. 00-132 (rel. Aug. 1, 2000) ("Notice" or "NOI").

The Commission should also be aware of further significant distortions that have transpired in the video delivery markets. DIRECTV, the DBS operator with by far the largest subscriber base, has engaged in various types of anti-competitive conduct that have caused EchoStar to resort to the federal district court in Colorado asserting several claims under the antitrust laws.[2] The antitrust courts, and not this Commission, are the appropriate forum for evaluating these claims. At the same time, EchoStar believes that the Commission should apply the unfair practices provision to exclusive programming deals with any MVPD consistent with its admonition in the 1994 decision where the Commission declined to prohibit such agreements outright. It is DIRECTV's exclusivity deals with the sports leagues that constitute one of the most significant impediments to the promotion of stronger competition in the MVPD market.

I. CABLE OPERATORS CONTINUE TO DOMINATE THE MVPD MARKET

Incumbent cable operators clearly continue to dominate the MVPD market. This market power is evident not only from the predominant share of MVPD subscribers served by cable operators, but also from the continuing cable rate increases and the relatively few determinations that the FCC has made to date finding effective competition in particular cable franchises. In short, cable operators still exert an unacceptably high degree of market power – which in turn enables them to dominate the programming market, in many instances extracting anti-competitive terms and conditions from both affiliated *and unaffiliated* programmers. It is thus imperative that the Commission continue to take steps to curb the market power of cable operators and to limit the anticompetitive effects of such market power.

Any slight erosion in the market share of cable operators in the past year has not been significant enough to blunt cable operators' ability to raise cable rates and wield excessive influence over MVPD

[2] *EchoStar Communications Corp., et al. v. DIRECTV Enterprises, et al.*, Civil Docket Case No. 00-CV-212 (D.Colo.) (filed Feb. 1, 2000).

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EXHIBIT RR

FOR PUBLIC INSPECTION

EXHIBIT RR

EchoStar advertisement,
<http://retailer.echostar.com/marketing/ads/previews/DumpCable.jpg>.

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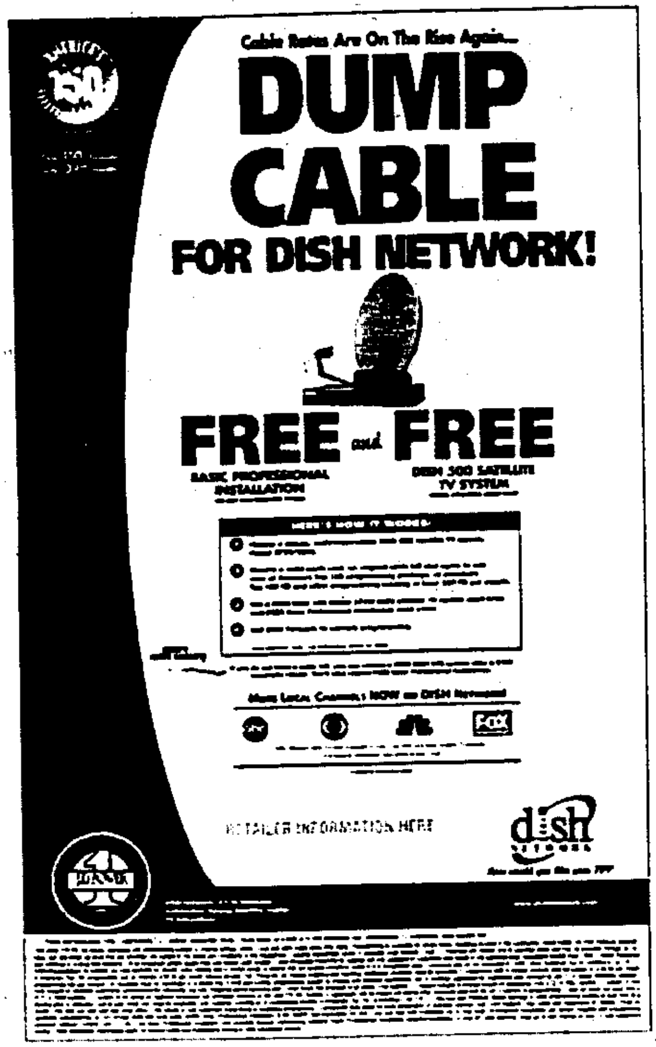

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Exhibit RR

Hughes Electronics Corporation Response to
<u>FCC Initial Request for Information dated February 4, 2002</u>

Box #: FCC 1

Source: Tim Kirkwood
Hughes Network Systems

Production #s: FCC2A000000001 – FCC2A000000390

FCC Request Responsive to: X.III.D.

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Print Batch Document #: 1
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Gilat Communications Ltd.

November 23, 1999

Eloquent And Gilat Communications Partner To Create A Robust
Business Communications And Learning Platform

SAN MATEO, Calif, and PETACH TIKVA, Israel--(BUSINESS WIRE)--November 23, 1999--

Eloquent's Rich-Media Solution Complements Gilat's TrainNet(tm), Creating A Full Featured "Live To On-Demand" Business Communications

and Interactive Learning Solution

Eloquent, Inc., the leader in Web-based rich media business communications solutions, and Gilat Communications Ltd. (NASDAQ: GICOF), the international leader in satellite and Web-based Interactive Distance Learning (IDL) systems, today announced a partnership to offer a joint business communications and distance learning solution. This solution leverages Gilat's live broadcast and interactive capabilities and Eloquent's on-demand rich media capabilities to provide a complete "live to on-demand" business communications and interactive learning platform.

Gilat's TrainNet is an IDL system which enables a live, interactive instructor-led classroom experience by providing full-screen, full-motion video broadcast to classrooms and individual PCs over broadband, LAN or Internet connections. TrainNet also features instantaneous application projection, collaboration tools and feedback buttons that enhance the communication and interaction between teacher and student. The TrainNet platform is a robust and fully scalable solution for both corporate as well as educational institutions.

Eloquent's rich media format-synchronized video, audio, text and graphics-will capture, organize, and archive live TrainNet sessions. Customers can now make TrainNet content available on demand over the Web at typical Internet bandwidths, extending the value of the original broadcast to students, employees, and partners who are not able to attend the live sessions. In addition, personalized, pre-event presentations from Eloquent enable participants with different backgrounds to prepare appropriately for TrainNet sessions. Eloquent's rich media format and the Eloquent Enterprise Communications Portal Server also enable customers to create a fully searchable and navigable archive of TrainNet materials, extending their useful life and enhancing their value to the organization.

"Gilat and Eloquent provide an integrated solution that combines the benefits of live communication with the power of on-demand rich media," said Brandon Hall, Ph.D., publisher of brandon-hall.com. "In addition to the interactive learning experience, users are supported by information which is accessible at any time, from anywhere. Together, they have created a unique situation supporting both community and individual learning."

"Eloquent's on-demand rich media solutions will allow us to greatly augment the reach and the value of our live, interactive offering within our customers' organizations," said Mr. Avraham Rosenbach, Vice President of Marketing and Sales, Gilat. "The Eloquent-Gilat solution enables customers to leverage important communications and learning events to the fullest, improving their effectiveness and increasing their ROI."

"The combination of Gilat's live learning environment and Eloquent's on-demand, rich media application platform enables organizations to expand the value of their online learning investments," said Jane Beule, Vice President of Marketing, Eloquent.

About Gilat Communications

Gilat Communications, Ltd. ("Gilat") is a leading developer and provider of end-to-end interactive distance learning (IDL) solutions worldwide. Gilat's comprehensive IDL solutions allow corporations, banks, government agencies and academic institutions to create and conduct live as well as offline instructor-led or self-paced classrooms utilizing personal computers, regular telephone sets, Internet connections and any broadband communication channel. Gilat's state of the art systems have been successfully implemented throughout the world and are in extensive use on all continents.

Founded in 1990, the company also provides a wide range of satellite-based communications services, including private data, IP and voice communications networks and digital video broadcasting over IP multicast.

Since 1997, Gilat Communications has been traded publicly on NASDAQ under the symbol GICOF.

For more information, please visit the company's Web site at www.gilat.net.

About Eloquent, Inc.

Eloquent is the leader in Web-based rich media business communications solutions. Eloquent products and services are the de-facto standard for transferring knowledge to large audiences over the Web using synchronized on-demand video, audio, text and graphics.

In today's digital economy where speed is a key competitive advantage, Eloquent dramatically improves an organization's ability to deploy knowledge quickly. Eloquent solutions reduce time-to-market, increase customer satisfaction and enable on-demand strategic communications that drive top-line performance-at dramatic cost savings over traditional methods.

Eloquent's full service solution offering includes Web-based player and server software, rich media publishing tools, content hosting, integration services and a proven content production capability. Eloquent's open architecture integrates easily with industry-leading technologies, enterprise applications; computer based training (CBT) and other digital content. Eloquent's worldwide customer base includes over a million and a half users across more than 170 companies.

For more information, please visit the company's Web site at www.eloquent.com.

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Concerning Gilat Communications:

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate" "project" "intend" "expect" "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to the Company's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for the Company's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with the Company's international operations and its location in Israel. For additional information regarding these and other risks and uncertainties associated with the Company's business, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.


```
CONTACT: High Road Communications
         Monta Kerr-Johnson
         Account Director
         650/621-0086
         mkerr@highrd.com
         or
         Gilat Communications
         Elie Cohen
         Director, Marketing Communications
         +972-3-925-5111
         elie@gilat.net
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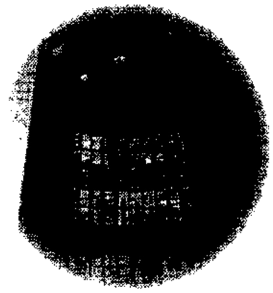
Company



Gilat Satellite Networks Ltd. is a global leader in VSAT (Very Small Aperture Terminal) satellite communications technology, manufacturing and service. The Company provides end-to-end telecommunications and data networking solutions to customers across six continents.

For a look at our largest customers see Gilat's "Top Ten".

Gilat is a founder member

With its acquisition of Spacenet in December 1998, Gilat has become a vertically-integrated full-scale global service provider. Service offerings include access to satellite transponder capacity, installation of network equipment, on-line network monitoring and network maintenance and repair services. Gilat subsidiary Gilat Florida/Latin America has responsibility for the paging market worldwide, sales in Latin America, and the ISAT and RF transceiver product lines. Gilat holds a minority share in Global Village Telecom, which specializes in the operation of satellite-based rural telephony networks, and in **KSAT**, a joint venture with Singapore-based Keppel Communications, which is dedicated to providing satellite-based telecommunication services in China.

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Click here to view our Video archive.

Company Description

Gilat Satellite Networks Ltd. is a leading provider of products and services for satellite-based communications networks. The company designs, develops, manufactures, markets and services products that enable complete end-to-end telecommunications and data networking solutions based on Very Small Aperture Terminal satellite earth stations, related central station (hub) equipment and software. With the acquisition of Spacenet from GE Americom, a subsidiary of General Electric, on December 31, 1998, Gilat now provides service offerings which include access to satellite transponder capacity, installation of network equipment, on-line network monitoring and network maintenance and repair services.

Gilat's VSAT networks are primarily used for (1) on-line data delivery and transaction-oriented applications including point-of-sale (for example, credit and debit card authorization), inventory control and real time stock exchange trading, (2) telephone service in areas that are underserved by the existing telecommunications services or in remote locations without service, and (3) Internet Protocol (IP) based networking applications such as corporate intranets, corporate training and other broadband multicasting applications.

As of December 31, 1998, Gilat had contracted for more than 110,000 interactive VSATs, representing approximately 30% of the worldwide interactive VSAT market, according to industry sources. In 1998, the company was awarded contracts which accounted for 40% of the total interactive VSATs for which contracts were awarded worldwide. Major users of our products and services include the United States Postal Service, British Petroleum, John Deere, PageNet, Rite Aid, Peugeot-Citroën and Telkom South Africa.

Since Gilat's inception in 1987, the company's growth has been significant and consistent. Gilat revenues have grown from $24 million in 1993 to approximately $155 million in 1998, representing a compounded annual growth rate of over 44%.

Gilat's Top Ten

Customer	Application	No. sites
MCI / US Postal Service	Postal services	26,000 potential
GTECH	Lottery worldwide	11,500
Alliance Data Systems	Gas stations	6,500
Telespazio	Financial news	4,850
Rite Aid	Retail & Intranet	4,300
IBM / Peugeot-Citroen	Automotive	4,200
ChinaSat et al	Stock news	3,800
Telkom South Africa	Rural telephony	3,000
PageNet	Paging	3,000
National Stock Exchange	Stock trading	2,100

Not listed:

Accent Health

Net Pulse

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technologies, products and applications, rapid changes in the market for Gilat's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with Gilat's international operations and its location in Israel For additional information regarding these and other risks and uncertainties associated with Gilat's business, reference is made to Gilat's reports filed from time to time with the Securities and Exchange Commission.

GILAT Q2 2000
BALANCE SHEET
+
INC STAT

Gilat Satellite Networks Ltd.
An Israeli Corporation
Condensed Consolidated Balance Sheets

US dollars in thousands	June 30 2000 (unaudited)	December 31 1999 (audited)
Assets		
Current assets:		
Cash and cash equivalents	67,418	33,381
Short-term bank deposits and current maturities of long-term bank deposits	244,130	61,540
Short-term loan to an associated company		
Accounts receivable:		
Trade	121,336	111,417
Other	101,435	71,982
Inventories	117,225	81,060
Total current assets	651,544	359,380
Investments and non-current receivables:		
Long-term bank deposits	0	50,000
Investments in companies and non-current receivables	127,010	58,534
	127,010	108,534
Property, plant and equipment:		
Cost	264,117	198,555
Less - accumulated depreciation & amortization	49,761	38,742
	214,356	159,813
Other assets and deferred charges - net	91,902	51,126
	1,084,812	678,853
Liabilities and shareholders' equity		
Current liabilities:		
Short-term bank credit	30	6,986
Accounts payable and accruals:		
Trade	52,565	39,488
Accrued expenses	29,800	27,833
Other	21,925	19,766
Total current liabilities	104,320	94,073
Convertible subordinated notes	350,000	75,000
Accrued severance pay	3,354	1,868

Investments ?
Receivables ?
\$31 - \$100 mm

Investment in assoc. companies 14,054
Invest. in other companies 13,133
Non-current receivables 31,347
58,534

Inventory and
Accts. Receivable
6/30/00 12/31/99
≈ 370 - 440,000 295,806
+ \$75 → \$145 mm

Other long-term liabilities	23,337	8,089
Total liabilities	481,011	179,030
Shareholders' equity:		
Share capital and additional paid in capital	616,259	527,116
Capital fund	(3,360)	(2,557)
Accumulated deficit	(9,098)	(24,736)
	603,801	499,823
	1,084,812	678,853

Gilat Satellite Networks Ltd.
An Israeli Corporation
Condensed Consolidated Income (Loss) Statements

(Unaudited)

US dollars in thousands	Six months ended June 30		Three months ended June 30	
	2000	1999	2000	1999
Revenues	194,547	140,498	108,603	74,376
Cost of revenues	121,644	79,583	69,219	42,301
Gross profit	72,903	60,915	39,384	32,075
Research and development costs:				
Expenses incurred	16,089	11,347	8,414	5,662
Less - grants	1,037	1,016	525	835
	15,052	10,331	7,889	4,827
Selling, general and administrative expenses	41,854	31,059	22,584	16,625
Operating Income	15,997	19,525	8,911	10,623
Financial income (expenses) - net	(806)	1,076	(865)	1,457
Other income - net		58	-	58
Income before taxes on income	15,191	20,659	8,046	12,138
Taxes on income	(201)	(485)	(104)	(200)
Income after taxes on income	14,990	20,174	7,942	11,938
Share in profits (losses) of associated companies	372	(72)	902	148
Minority Share in losses of a subsidiary	276		276	
Net income	15,638	20,102	9,120	12,086
Basic	$0.72	$1.01	$0.41	$0.58
Diluted	$0.65	$0.97	$0.38	$0.56
Weighted average number of shares used in computation of earnings				

$10.3mm

$3.82mm

$5.7mm is one-time gain for GVT transaction

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per share (in Thousands)				
Basic	21,816	19,850	22,440	20,951
	=======	=======	========	=======
Diluted	23,910	20,707	24,247	21,755
	=======	=======	========	=======

Contact:

Gilat Satellite Networks, McLean, Virginia
Dianne VanBeber
Vice President, Investor Relations
703-848-1515
dianne.vanbeber@spacenet.com
or
Ruder Finn, Inc., New York
Magda Gagliano
212-593-6319
gaglianom@ruderfinn.com

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Executive Biography

Shlomo Tirosh is a co-founder of Gilat and has been serving as Chairman of th
Directors and the Chief Executive Officer since its inception and as President ur
1999. Mr. Tirosh is also a director of Gilat Satellite Networks and served as the (
the Board of Directors of Gilat Satellite Networks between 1987 and 1995. From
1987, Mr. Tirosh served in the Israel Defense Forces, where he held a variety of
professional and field command positions and retired with the rank of colonel. Fr
1985, he headed a large research and development unit, and from 1985 to 1987
managed a large-scale technology project for the Israel Ministry of Defense. In 1
received the Israel Defense Award, Israel's most prestigious research and devel
award. Mr. Tirosh holds a bachelor of arts degree (summa cum laude) in econor
Bar-Ilan University in Ramat Gan.

Dr. Steven W. Allen joined Gilat in February 2000 as Chairman of Gilat Commu
Inc. Prior to that, Dr. Allen was the Chairman and founder of Allen Communicati
Allen has over 20 years of experience in the creation and implementation of inn
instructional techniques and strategies. He has been voted one of the top 100 m
producers, in 1996 and in 1999, by Knowledge Industry Publications, and in 199
Academy of Multimedia program received the Utah Governor's Award of Excelle
Allen holds an Ed.D in Educational Theory and Curriculum Development and a r
degree in music performance, both from Utah State University.

Eran Lasser joined Gilat on Jan. 2001 as Co-CEO. Since the establishment of J
in 1993, Mr. Lasser successfully built Israel's leading training company with bran
Israel and Europe. Under his leadership, John Bryce became the leading IT Trai
in Israel and a world wide pioneer of blended e-learning methodologies and tech
Lasser served in Israel's Defense Forces as deputy commander of the IT Trainir
and holds a degree in Computers and Mathematics from Bar-Ilan University

Ziv Mandl joined Gilat on Jan. 2001 as Co-CEO, snd was appointed to Menterg
February 2001. Since the establishment of John Bryce in 1993, Mr. Lasser succ
Israel's leading training company with branches in Israel and Europe. Under his l
John Bryce became the leading IT Training group in Israel and a world wide pior
blended e-learning methodologies and techniques. Ziv Mandl served as chief ins
IDF's IT Training Center, and holds a degree in Computers and Political Science
Ilan University

Eytan Mucznik formerly John Bryce's CFO, was appointed as Gilat's CFO on Ja
For the last four years, as CFO of John Bryce, Mr. Mucznik was involved in all M
transactions and was instrumental in placing John Bryce as an international lead
field. From 1994 to 1997 he was a senior financial controller in various capacitie
Sapiens International Corporation N.V., and prior to that, controller in a worldwid
company. Mr. Mucznik is an Israel Certified Public Accountant and holds a degr
Accounting and Economics from Tel Aviv University.

Chip Schuneman joined Gilat as Mentery's COO on July 2000. Was previously
President of Marketing and Business Development at Catapult, Inc., a wholly-ow
subsidiary of IBM's Learning Services. With a background in banking, and IBM r
software sales, Mr. Schuneman joined Catapult in 1993 as an account executive
quickly rose through the ranks during his 7-year tenure. Schuneman's extensive

cited as key criteria leading to his appointment as COO of Mentergy. Schunema Catapult's first national sales team, and boosted Catapult's Learning Services re additional service offerings. He also helped launch Catapult's e-learning site dur organization's strategic shift from standard, public, instructor-led training classes e-learning and blended offerings.

Ray Kelly joined Mentergy as Senior VP of Sales on December 2000. In his mo position at E Ink Corporation, a pre-IPO start-up company, Kelly was responsible worldwide sales and distribution for E Ink's Immedia display technologies. From 1998 at Hewlett Packard, Kelly was responsible for creating and leading the Hev Packard Retail Industry Organization, including sales, marketing and business development. Under Kelly's leadership, this team captured new business from o the top 100 retailers, achieving 372 percent sales growth in less than three years Mr. Kelly was appointed NCR's vice president in the Retail Systems Division res developing the Wal-Mart Stores Inc. account in Bentonville, AR. In that capacity global team that helped Wal-Mart move to open client/server systems, impleme world's largest computer system, and grew NCR's annual revenue with Wal-Mar than $6 million to over $100 million.

Bill Byron Concevitch joined Mentergy as Director of Business Development o 2001. Since June 2000 he was the Senior Vice President Sales of Element K (fc Davis Education - ZDU). From 1993 to June 2000 Mr. Concevitch held various k executive positions with ExecuTrain Corporation, including Vice President of Sa that he increased sales revenue pipelines by over 600%), and Chief Learning Of (during that he transformed ExecuTrain's core business from single product offe multiple product and service offering, and design and development of ExecuTra University (EVU) with multiple e-learning components). Prior to his tenure with E Mr. Concevitch spent numerous years inside the Dale Carnegie Training organiz serving in positions of Corporate Training Specialist and Director of Marketing in institutes. He led his team to the winning of the coveted "President's Award," a s achieved by less than five percent of all of the worldwide Dale Carnegie Institute Concevitch is a schooled recording engineer, studying under Clair D. Krepps (m Grammy award winner) at the JMSS School for Recording Arts and Sciences, re masters in audio engineering and completing undergraduate work at Allentown C St. Francis de Sales.

Hugh Simpson-Wells, MD of Aris Education, is the founder of Aris Education (I Oxford Computer Group, and now owned by John Bryce Training). Now, as the I Director, Hugh is responsible for activities throughout the UK and Europe - bring 18 years of training industry experience, both as an entrepreneur and as a senio public company. He has a Masters degree in Engineering Science from St John' Oxford.

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MENTERGY ANNOUNCES ORGANIZATIONAL CHANGES AND NEW CEO

Tuesday, February 20, 2001

Atlanta, GA, February 20, 2001 - The U.S. subsidiary of Gilat Communications, Ltd. (NASDAQ:GICOF), Mentergy, Inc., a leading North American provider of enterprise e-Learning solutions, today announced that in order to increase market focus it has formed two business units, LearnLinc and Allen Communications e-Learning Services. In addition, co-CEO of Gilat Communications' Ziv Mandl has been named Chief Executive Officer of Mentergy.

Under the new organization, the LearnLinc virtual classroom division will deliver live e-Learning products, including Gilat's TrainNet broadband PC and Interactive TV training platforms. Allen Communications e-Learning Services division will focus on Mentergy's custom e-learning service— including consulting services and courseware development—as well as further development of best-in-breed e-Learning software authoring, instructional design and management tools to assist in the creation of custom e-learning. Allen Communications e-learning Services division has also created revolutionary new software that helps companies create time saving repositories of learning objects that will bring enormous savings through re-use and faster creation time. These two business units together with its IT training business in Europe and Israel complete Gilat's and Mentergy's offering worldwide.

The creation of the two divisions will allow Mentergy to provide better support to its customers and to respond to market needs faster and more efficiently, while at the same time benefiting from the synergies between the two divisions. The company has increased its marketing and sales expenditures, including extensive hires in field sales, as part of the re-organization. Mentergy will also increase its operational efficiency by reducing its workforce, and closing the company's Virginia offices. To better utilize research and development resources, Mentergy has consolidated and integrated its R&D teams into one unit located in the United States, which will take the lead in further integrating the LearnLinc and TrainNet platforms into the next generation of live e-Learning software.

As part of the re-organization, Ziv Mandl was named chief executive officer of Mentergy. Mr. Mandl, the former Co-founder and Co-CEO of John Bryce Training—also a Gilat subsidiary—will manage Mentergy on a full-time basis from the company's headquarters in Atlanta. Mr. Mandl is credited with building John Bryce Training into a leading IT training company in Israel and Europe.

Mr. Mandl will be integrally involved in focusing the company's sales and marketing activities, as well as assisting in the development of a VAR channel.

"These changes will help minimize redundancies and raise efficiencies in meeting customer expectations," said Ziv Mandl. "The series of steps we have undertaken will enable us to support expected revenue growth through 2001 and improve margins at the same time."

"The creation of two separate divisions will allow for much greater focus on core competencies, similar to what we have accomplished at John Bryce Training," adds Mr. Mandl. "In each division, we will leverage our large customer base and brand recognition, while building on strategic relationships in these distinct e-Learning market segments"

Mentergy Chairman Steve Allen said of the new organization, "I am excited that this new structure creates clear solutions for our customers. Through the two divisions, we will build on the solid base of recognition and reputation for which our Allen Communication and LearnLinc brands are known. In addition, we will continue to provide added value by offering a full host of services while retaining our technological edge and methodology in our core competency of e Learning. Whether it's live e-Learning or custom e-Learning services, our technology, service and customer expertise will continue to make Mentergy a dominant player in this market."

"Effective learning within organizations today produces results. Whether those results include higher productivity, faster product launches, increased sales, or higher retention of key employees, they all contribute to higher profit," said Chip Schuneman chief operating officer of Mentergy. "By combining the unique solutions of consulting course development and live e-learning (narrow and broadband) Mentergy leverages its 21 years of expertise to enable companies to deliver those result more quickly and in truly measurable ways."

About Mentergy
Mentergy, Inc. is a Gilat Communications, Ltd. [NASDAQ:GICOF] e-Learning company that provides a comprehensive set of e-learning products, consulting and courseware development services for large enterprises through its LearnLinc and Allen communication properties. With over 21 years of expertise in the learning industry, Mentergy assists businesses worldwide in making a cost-effective shift from traditional learning, with its inherent expense and loss of productivity, to a blended approach, which includes technology-based training solutions or "e-Learning." Mentergy's customers range from mid-size companies to Global 2000, including Aetna US Healthcare, WorldCom, Made2Manage, Citibank, Countrywide, Rockwell-Collins, Federal Reserve Bank of Philadelphia, Intel and other industry leaders. For more information, visit http://www.mentergy.com.

About Gilat Communications
Gilat Communications, Ltd. [NASDAQ:GICOF], is a global leader in learning using advanced, blended e-learning techniques and technologies. Gilat Communications formed Mentergy, its e-Learning operation, by merging Allen Communication, which has provided advanced courseware development services and technology-based authoring and design tools for almost 20 years to more than 60% of the Fortune 500, with LearnLinc Corporation, featuring live, collaborative Web-based training via the LearnLincâ virtual classroom, used by hundreds of organizations around the world and interactive distance learning (IDL) solutions worldwide. TrainNet™, Gilat's comprehensive broadband IDL solution allows organizations to conduct instructor-led or self-paced sessions utilizing computers, telephone, Internet connections and broadband communications. John Bryce Training is Gilat's European IT training and content company, and is one of the leading providers of IT training services in Europe and the Middle East.
www.gilat.net

About John Bryce Training
John Bryce Training is a leading IT training company in Israel and Europe and a fast-growing enterprise in this field since 1994. The company offers over 200 different programs and courses, each tailor-made to suit its clients' rapidly changing needs. John Bryce trains IT professionals, managers, developers and infrastructure personnel in a wide range of subjects, and is an authorized training solution provider for companies such as Microsoft, Oracle, Sun Microsystems, Cisco, Novell, and others.
www.johnbryce.co.il

MentergyTM is a trademark and LearnLinc® is a registered trademark of Gilat Communications. All other brand names, product names, or trademarks belong to their respective holders.

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate" "project" "intend" "expect" "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to the Company's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for the Company's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with the Company's international operations and its location in Israel. For additional information regarding these and other risks and uncertainties associated with the Company's business, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.

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Excerpts from StarBand Communications IPO Filing

(a.k.a. Gilat-to-Home)

Filed with the U.S. Securities and Exchange Commission
on Form S-1, Oct. 11, 2000

Value: $287,500,000 nominally

"... we do not have a chief financial officer, but we are currently conducting a search for one."

- from SEC Form S-1 filing, p. 11

"... we have a limited operating history and

as of August 31, 2000, we had an accumulated deficit of approximately $88.0 million.

... we expect to record substantial losses for at least the next few years."

- from SEC Form S-1 filing, p. 2

Inception of Company

January 11, 2000

Financial information in this filing is for the period
January 11 through August 31, 2000, some 7 1/2 months.

3 Strategic Relationships

EchoStar
Microsoft
Gilat Satellite Networks, Ltd. and subsidiaries

Microsoft Relationship

from SEC Form S-1 filing, p. 60

In March 2000, in connection with Microsoft's investment in our company, we entered into a four-year agreement to supply wholesale broadband Internet access to MSN....**The Agreement requires us to achieve five milestones during the initial term** relating primarily to our fulfilling production levels for our StarBand modem, achieving minimum levels of MSN subscribers and other technical matters set forth in the agreement. **MSN's commitment to the agreement is contingent upon our meeting these milestones. To date, we have not completed any of the milestones set forth in this agreement**....MSN will provide a subsidy for a portion of the cost of the customer premises equipment for MSN subscribers. Pursuant to this agreement, **we agreed to pay MSN a one time fee of $1.25 million** to offset a portion of MSN's subscriber acquisition costs.

from SEC Form S-1 filing, p. 9

"Microsoft agreed to purchase our products and network services on a wholesale basis...for a period of at least four years after our completion of milestones under our agreement with them. We have not yet, **and may never, complete these milestones**.

"If we do not complete the milestones, **Microsoft will not be required to purchase our products**...

"...if we fail to complete the milestones, Microsoft would **be permitted to sell its ownership stake in our company to Spacenet**."

[Note: Meaning Spacenet will have to give the $50 million back to Microsoft.]

from SEC Form S-1 filing, p. 12

[Gilat, EchoStar and Microsoft] may also develop **different business objectives** than ours. As a result, situations may arise in which their interests diverge from ours....**we expect Microsoft and EchoStar to primarily target new customers** for the MSN and DISH businesses by offering our high-speed Internet access in conjunction with their products, buy we may wish to primarily focus on existing MSN and DISH subscribers as the greater opportunity to sell our service.

EchoStar Relationship

EchoStar Communications, with over 4.5 million subscribers, has agreed to co-market StarBand services to customers of its DISH television service.

from SEC Form S-1 filing, p. 9

"On February 22, 2000, we entered into a memorandum of agreement with EchoStar....**The arrangement terminates on March 31, 2001.**

"Our arrangement with EchoStar is **not exclusive**. EchoStar **may stop co-marketing with us and begin marketing services that compete with ours**, such as the service offering WildBlue Communications is developing. **EchoStar has invested $50 million in WildBlue.** We could lose our primary retail distribution channel...

from SEC Form S-1 filing, p. 12

[Gilat, EchoStar and Microsoft] may also develop **different business objectives** than ours. As a result, situations may arise in which their interests diverge from ours....**we expect Microsoft and EchoStar to primarily target new customers** for the MSN and DISH businesses by offering our high-speed Internet access in conjunction with their products, buy we may wish to primarily focus on existing MSN and DISH subscribers as the greater opportunity to sell our service.

FCC License

"The FCC granted the licenses for the two smallest remote user antennas, measuring 0.96 meters and 0.75 meters on a conditional basis **for use in up to 20,000 locations** pending the outcome of a public proceeding concerning the type of network access scheme used by many satellite data networks."

- from SEC Form S-1 filing, p. 15

"A subsidiary of Spacenet currently has an application on file with the FCC to seek authority for communications with Telstar 7 and increase the number of 0.75m remote user locations Spacenet may operate **to 100,000**.

- from SEC Form S-1 filing, p. 47

"The FCC has established guidelines for human exposure to radio frequency energy. Between the feed horn and the reflector of our VSAT dish antennas, **the radio frequency exposure <u>exceeds</u> the acceptable level** established by the FCC."

- from SEC Form S-1 filing, p. 47

Lawsuits

Global Communications

On or about July 26, 2000, Globecomm systems, Inc. commenced a lawsuit against us in the Eastern District of New York alleging the willful infringement of their U.S. patent relating to a particular means of transferring and receiving communications signals between a remote terminal and a network operations center via satellite....

- from SEC Form S-1 filing, p. 49

Hughes Electronics

In addition, on May 8, 2000, Hughes Electronics Corporation commenced a lawsuit against Gilat and Spacenet in the District of Maryland, alleging will full infringement of four patents....A ruling against Gilat or Spacenet would significantly harm our business because we license technology from them [Gilat] that forms part of Hughes' claim. In particular, the single potentially relevant claim is related to personal computer based receiver cards that we use as part of our service offering to consumers. We may not be able to continue to use the technology if Hughes prevails on its claim regarding this technology.

- from SEC Form S-1 filing, p. 49

Principal Stockholders

Beneficial Owner	Beneficial Ownership Prior to Offering: Number of Shares	Percent	
Yoel Gat	3,345,338	3.8%	3.6
Officers and directors as a group	10,168,723	11.5%	10.9
Spacenet Inc.	39,423,351	44.7%	42.3
Microsoft G-Holdings, Inc.	16,748,844	19.0%	18.0
EchoStar Communications Corporation	16,755,317	19.0%	18.0
ING Furman Selz Investments	6,823,385	7.7%	7.3
		105.7%	100.1%

- from SEC Form S-1 filing, p. 55

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Gilat Satellite Networks Announces Filing of StarBand Registration Statement

October 11, 2000, Petah Tikva, Israel - Gilat Satellite Networks Ltd. (Nasdaq: GILTF) today announced that StarBand Communications Inc. ("StarBand") has filed a registration statement with the U.S. Securities and Exchange Commission for an initial public offering of common stock lead managed by Merrill Lynch & Co., with Credit Suisse First Boston, Salomon Smith Barney, CIBC World Markets and ING Barings as co-managers. Gilat, through its affiliate, owns approximately 40 percent of StarBand.

StarBand, launching nationwide service in the fourth quarter 2000, is a provider of two-way, always-on high-speed Internet access via satellite to residential and small office/home office customers across the United States.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

About Gilat Satellite Networks Ltd.
Gilat Satellite Networks Ltd., with its global subsidiaries Spacenet Inc., Gilat Europe and Gilat Florida Inc., is a leading provider of telecommunications solutions based on VSAT satellite network technology. The Company provides satellite-based, end-to-end enterprise networking and rural telephony solutions to customers across six continents, and markets interactive broadband data services. The Company is a joint venture partner, with Microsoft Corp., EchoStar Communications Corp. and ING Furman Selz Investments, in StarBand Communications Inc., America's first consumer,always-on, nationwide, two-way, high-speed satellite Internet service provider. StarBand is based in McLean, Va. SkyBlaster(TM), Skystar Advantage(R), SkyWay(TM), DialAway(R) and FaraWay(TM) are trademarks or registered trademarks of Gilat Satellite Networks Ltd. or its subsidiaries. Visit Gilat at www.gilat.com and StarBand at www.starband.com.

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "project", "intend", "expect", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of Gilat to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to Gilat's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for Gilat's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with Gilat's international operations and its location in Israel For additional information regarding these and other risks and uncertainties associated with Gilat's business, reference is made to Gilat's reports filed from time to time with the Securities and Exchange Commission.

GILAT COMPANY CONTACT:
Dianne VanBeber
Vice President, Investor Relations
Gilat Satellite Networks
McLean, Virgina
703-848-1515
dianne.vanbeber@spacenet.com

GILAT IR CONTACT:
Magda Gagliano
Ruder Finn, Inc.
212-593-6319
gaglianom@ruderfinn.com

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Friday March 9 3:06 PM ET

Starband Pulls $287.5 Million IPO

Related Quotes

DISH	28 3/8	-1 3/4
GILTF	31 9/16	-4 1/16
MSFT	55 5/8	-3 5/8
DJIA	10625.38	-232.87
^IIX	195.48	-13.47
NASDAQ	2050.49	-118.24
^PSE	738.54	-35.06
S&P 500	1231.64	-33.10

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delayed 20 mins - disclaimer

WASHINGTON (Reuters) - StarBand Communications Inc., a provider of high-speed Internet access via satellite and co-founded by Gilat Satellite Networks Ltd. (NasdaqNM:GILTF - news), EchoStar Communications Corp. (NasdaqNM:DISH - news) and Microsoft Corp. (NasdaqNM:MSFT - news), withdrew on Friday its plans to go public.

StarBand cited ``changed circumstances in the securities markets,'' the communications company said in a Securities and Exchange filing.

The company, based in McLean, Va., is the latest firm to withdraw an initial public offering due to market conditions. It was hoping to raise $287.5 million in an IPO of common stock.

StarBand filed with the U.S. Securities and Exchange Commission (news - web sites) on October 11, 2000 for an initial public offering of common stock.

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StarBand Communications Inc.
Form S-1
October 11, 2000

"Proposed Sale to the Public"

Common Shares issued and outstanding:

Actual, as of Aug 31, 2000	33,879,757
Pro forma, as of Aug. 31, 2000	88,108,650
Difference, i.e., additional common shares that will be outstanding as a result of the Offering	**54,228,893**
Number of common shares resulting from automatic conversion of existing preferred shares. [Upon offering all existing preferred shares convert automatically into common shares.]	**54,228,893**

Implications

As described by the filing, the Offering is for the purpose of converting existing preferred shares to common shares; and for providing registration of the common shares with the NASDAQ Exchange under the symbol 'STRB'.

No new cash is provided to StarBand as an immediate result of the Offering

StarBand is not issuing any new shares under the Offering, therefore the offering is infallible; it is simply a matter of agreement among a short list of existing investors.

The accounting effect of the Offering is to reduce $142,870,466 worth of Preferred Stock on the balance sheet to zero and increase Common Stock by a like amount with the consequent impact on stockholders' equity:

	Actual Aug. 31, 2000	Pro forma Aug. 31, 2000
Total stockholders' (deficit) equity	**(76,770,013)**	**66,100,453**

Due to shareholder agreements including a 180-day lockup, there will be few if any shares available immediately following the Offering for trade on the public exchange.

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prospectus to cover over-allotments. The international managers may similarly purchase up to an additional shares from StarBand.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2000.

Merrill Lynch & Co.
Credit Suisse First Boston
Salomon Smith Barney
CIBC World Markets
ING Barings

The date of this prospectus is , 2000.

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INSIDE FRONT COVER

It's w i d e r than narrowband.

It's BIGGER than broadband.

It's StarBand.

The first

consumer
always-on
two-way
high-speed
Internet service
via satellite

StarBand Communications
[Depiction of StarBand logo]

A joint venture of Gilat Satellite Networks Ltd., EchoStar Communications Corporation, and Microsoft Corporation [Logos of Gilat Satellite Networks, Echostar Communications Corporation, and Microsoft Corporation]

FOLD OUT PAGES

The StarBand Solution
[Satellite photo of North America is background]
StarBand Communications is creating a new category in high-speed Internet

access, bundling fast StarBand Internet access with a multi-megabit-speed content delivery service. Our service is targeted to underserved suburban and rural markets where terrestrial broadband alternatives are limited.

RELIABLE HIGH-SPEED ACCESS

- Up to 500 kilobits per second downstream speeds
- Proven technology based on Gilat Satellite Networks solution
- Single-hop architecture, independent from terrestrial networks
- Always-on connection

[photo of family using Internet]

Misleading

UNPARALLELED CONSUMER EXPERIENCE

- Ultra high-speed multicast content delivery
- Exclusive StarBand Carousel(SM) technology for personalized content applications
- Always-on
- Single-dish solution for high-speed Internet and satellite television

[photo of couple using Internet]

NATIONWIDE AND SCALABLE

- Available to virtually everyone, everywhere
- Over 90% of U.S. single family households have satellite line-of-sight
- Centralized network and redundant operations

[photo of installer]

THE STARBAND CONNECTION

-Small satellite dish
-StarBand modem

[photo of the StarBand CPE]

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